

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.)
)
) Docket No. ER18-2401-000

**COMMENTS AND MOTION FOR CLARIFICATION
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rules 211 and 212 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM Interconnection, L.L.C. (“PJM”)² (“Market Monitor”), submits these comments responding to the filing submitted by PJM Interconnection, L.L.C. (“PJM”) on September 7, 2018 (“September 7th Filing”), and motion for clarification. The September 7th Filing does not fully meet the goal for transparent reporting of uplift stated in Order No. 844.³

Order No. 844 did not require reporting in Operator Initiated Commitment Reports of a large source of uplift in the PJM energy market, operator initiated must run commitments made prior to clearing the Day-Ahead Energy Market. Order No. 844 allowed for the reporting of operator-initiated commitments and operator actions beyond the minimum requirements of the order.⁴ The September 7th Filing adopts the narrower approach allowed under the Order. As a result PJM’s reporting will not provide adequate

¹ 18 CFR §§ 385.211, 385.212 (2018).
² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).
³ *Uplift Cost Allocation and Transparency in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 844, 163 FERC ¶ 61,041 (2018) (“Order No. 844”).
⁴ Order 844 at P 108.

transparency on uplift payments and, therefore, will not meet the stated objectives of Order No. 844. The Market Monitor recommends that PJM expand their proposed reporting before the September 7th Filing is accepted and approved.

The Market Monitor moves for clarification that the Market Monitor is not bound by the conservative approach incorporated in the reporting rule adopted by PJM in the September 7th Filing. The Market Monitor requests clarification that, under Order No. 844 or otherwise, neither PJM's proposed rule nor the applicable PJM market rules protecting Member confidential information, prohibit the Market Monitor from reporting uplift data to the maximum extent allowable under Order No. 844, including uplift, resource's uplift, operator initiated commitments, and categories of uplift, including operator initiated commitments made prior to clearing the Day-Ahead Energy Market.

PJM's proposed rule for Resource-Specific Uplift Reports are also inadequate for demand resources. PJM proposes to list only demand resource number rather than resource name. This approach does not meet the transparency goals of Order No. 844. Resource-Specific Uplift Reports should name all resources comparably. If PJM is not required to revise its rule, the Market Monitor requests clarification that, under Order No. 844 or otherwise, neither PJM's proposed rule nor the applicable PJM market rules protecting Member confidential information, prohibit the Market Monitor from reporting the name of demand resources receiving uplift.

I. COMMENTS

A. Market Monitor Reporting

One of the three core functions of the Market Monitor is to report on the performance of the wholesale electricity markets.⁵ Energy market uplift is a fundamental aspect of market performance. The Market Monitor reports extensively on PJM uplift and

⁵ 18 CFR 35.28(g)(3)(ii)(B).

its causes.⁶ The Market Monitor's reporting is bound by the confidentiality provisions of the OATT Attachment M and Attachment M-Appendix. The Market Monitor has identified omissions in the September 7th Filing in the material PJM's proposed reports would provide that are relevant to adequate uplift transparency.

The Market Monitor moves for clarification that the Market Monitor is not bound by the reporting rule adopted by PJM in the September 7th Filing. The Market Monitor requests clarification that, under Order No. 844 or otherwise, neither PJM's proposed rule nor the applicable PJM market rules protecting Member confidential information, prohibit the Market Monitor from reporting uplift data to the maximum extent allowable under Order No. 844, including uplift, resource's uplift, operator initiated commitments, and categories of uplift, including operator initiated commitments made prior to clearing the Day-Ahead Energy Market and the names of Demand Response resources.⁷

B. Operator Initiated Commitment Report

Order No. 844 states the Commission's goals for this proceeding:

Although all RTOs/ISOs provide some information regarding the locations and causes of uplift and operator-initiated commitments, the information is often highly aggregated or lacks detail, and is not consistently reported across markets. Current reporting practices regarding uplift and the reasons for making operator-initiated commitments do not provide adequate transparency for stakeholders to understand the needs of the system and recognize the resource attributes that are required to meet these needs. This lack of transparency hinders the ability of market participants to plan for and efficiently respond to system needs in a cost-effective manner, resulting in rates that are unjust and unreasonable. Improving the availability of information about the location and

⁶ For example, see State of the Market Report for PJM 2017: Vol. 2, Section 4.

⁷ Order No. 844 at P 82 and P 108.

causes of uplift and operator-initiated commitments would enhance market participants' ability to evaluate the need for, and the value of investment in, transmission and generation. Increased transparency could also facilitate more informed stakeholder discussions that support capacity or transmission planning to address future reliability and resilience issues.⁸

The Market Monitor agrees with the stated objective and believes that this rulemaking should achieve the stated objective for PJM.

1. Operator Initiated Commitments Prior to the Day-Ahead Market

In response to comments received on the NOPR, the Commission adopted a definition of operator initiated commitment in the final rule that excluded from that definition commitments made prior to the day-ahead market.⁹ In footnote 1 in the passage quoted above Commission explained:

[F]or the purpose of this rule, the Commission defines an operator-initiated commitment as a commitment after the day-ahead market for a reason other than minimizing the total production costs of serving load.¹⁰

As a consequence, the directive Order No. 844 (at P 1) that "each RTO/ISO establish in its tariff ... requirements to report, on a monthly basis, for each operator-initiated commitment, the size of the commitment, transmission zone, commitment reason, and commitment start time (Operator-Initiated Commitment Report)," only applies to operator initiated commitments after the day-ahead market, whether manual or automated, for a reason other than minimizing the total production costs of serving load.¹¹ Order No. 844

⁸ Order No. 844 at P 4.

⁹ *Uplift Cost Allocation and Transparency in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 82 Fed. Reg. 9539 (Feb. 7, 2017), FERC Stats. & Regs. ¶ 32,721 ("NOPR") at P 3.

¹⁰ See Order No. 844 at P 1 n.1.

¹¹ Order No. 844 at P 100.

allowed for compliance proposals that exceed this minimum requirement. Nevertheless PJM proposed only the most conservative approach. As a result, PJM's proposed rule does not explicitly authorize PJM to disclose operator initiated commitments made prior to clearing the day-market.

The rule proposed in the September 7th Filing would not achieve what the Commission sought to accomplish in this rulemaking. In PJM, some commitments are made prior to the clearing of the Day-Ahead Energy Market, meaning that the PJM operator will force the units to clear the Day-Ahead Energy Market because otherwise the units would not clear. Such commitments are typically for larger resources with longer lead times or long minimum down times, which PJM knows are needed to reliably operate the system. Larger resources typically require the commitment decision to be made well in advance of the operating day or the closing of the Day-Ahead Energy Market.

Table 1 shows the day-ahead uplift credits received by resources committed prior to the day-ahead market by PJM, excluding resources committed for reactive power. Additionally these commitments are typically for system conditions that prevail over a long period of time. The result is that a limited number of resources receive large uplift payments year after year for a specific system need. Not providing information about the size, reason, and location for these commitments undermines the intended goal of the requirement, which is to provide market participants with information to properly address and respond to system needs that drive uplift payments.¹²

¹² See NOPR.

Table 1 Uplift credits for units committed as day-ahead must run by PJM (\$ millions)¹³

Year	Day-ahead uplift credits for resources committed as must-run by PJM	Total uplift credits to generators	Share of total uplift to resources committed as must-run b PJM
2015	\$69.2	\$313.7	22.1%
2016	\$44.6	\$136.9	32.6%
2017	\$19.1	\$128.8	14.8%

In 2017, PJM paid another \$19.3 million in uplift to resources committed for reactive power by PJM prior to the day-ahead market, reaching 30 percent of 2017 uplift. The Market Monitor provides further discussion of day-ahead reliability commitments in the State of the Market Reports.¹⁴

2. Real Time Operator Initiated Commitments

Order No. 844 defined operated initiated commitment to be commitments for a reason other than minimizing the total production costs of serving load. It is important to clarify PJM’s practice in the compliance filing. PJM relies on computer algorithms to solve security constrained economic dispatch and commitment problems. These algorithms provide PJM operators with recommendations on how to commit and dispatch resources. Some recommendations are taken automatically (e.g. most day ahead commitments), some recommendations are evaluated in short periods of time and sent directly to resources (e.g. real time dispatch signals). These algorithms are not perfect and PJM operators have to make adjustments based on other algorithms (e.g. power flow models) that identify reliability issues (e.g. reactive/voltage issues) or based on past experience (e.g. polar vortex). Because the only mechanism PJM has to minimize “the total production costs of serving load” is computer algorithms, PJM operated initiated are commitments are those made

¹³ 2015, 2016, 2017 State of the Market Report for PJM, Section 4, Energy Uplift.

¹⁴ See 2017 State of the Market Report for PJM, Vol. II, Section 4, Energy Uplift at 214–215.

without a recommendation from PJM's security constrained unit commitment (SCUC) algorithm or PJM's security constrained economic dispatch (SCED) algorithm. PJM has multiple tools that contain different versions of the SCUC and SCED. For example, day ahead PJM uses the Resource Scheduling and Commitment (RSC) application and the PROBE application for unit commitment (SCUC) and the Scheduling Pricing and Dispatch (SPD) application for unit dispatch (SCED).¹⁵ In real time, PJM uses the Intermediate Term (IT) SCED application and the Combustion Turbine Optimizer (CTO) application for unit commitment (SCUC) and Real Time (RT) SCED for unit dispatch (SCED).¹⁶ PJM or the Market Monitor should report all commitments that are made without a recommendation from these applications.

PJM proposes to report the commitment reason and commitment start time. PJM does not propose to report commitment end times or operator initiated commitment extensions. At times, the length of commitments beyond the time frame recommended by the software to minimize costs and beyond a unit's minimum run time are significant drivers of uplift. PJM or the Market Monitor should report the commitment end times and operator initiated commitment extensions.

PJM proposed not to report commitment of units that cleared the Day-Ahead Scheduling Reserve (DASR) Market. The DASR market does not result in commitment obligations. Whether a unit is committed in real time does not depend on whether it clears the DASR market. PJM or the Market Monitor should report operator initiated commitment regardless of the results of the DASR market.

¹⁵ See "Day-Ahead Market Clearing Process," PJM presentation to the MIC Special Session–Market Operations Price Transparency, April 25, 2017, <<https://www.pjm.com/-/media/committees-groups/committees/mic/20170425-special/20170425-item-02-day-ahead-market-process.ashx>>

¹⁶ See "Real Time Commitment Tools," PJM presentation to the Modeling Generation Senior Task Force, March 30, 2017, <<https://www.pjm.com/-/media/committees-groups/task-forces/mgstf/20170330/20170330-item-05-real-time-commitment-tools.ashx>>

The September 7th Filing does not ensure that PJM's Operator Initiated Commitment Reports will meet the stated objectives of Order No. 844. PJM should explain and clarify its approach before the September 7th Filing is accepted and approved.

C. Resource Specific Uplift Report

Order No. 844 directs (at P 1) each RTO or ISO to "report, on a monthly basis, total uplift payments for each resource (Resource-Specific Uplift Report)." The PJM proposed language for demand response resources does not comply with this requirement and does not provide the intended transparency. Under the changes proposed in the September 7th Filing, PJM will post "the individual resource identification number associated with the Demand Resource or Economic Load Response Participant's relevant dispatch group or registration." But the identification number is not the resource name, and does not provide the information required to identify the participant.

PJM argues (at 7) that posting the resource identification number satisfies the Commission's requirement while protecting Curtailment Service Providers ("CSPs") concerns about releasing potentially commercially sensitive and confidential customer information. PJM also explains (*id.*) that the generator resources are already public available through the US Energy Information Administration.

Releasing the resource specific uplift amount by resource name, instead of resource number, will not allow anyone to identify the customer's bidding behavior as the total monthly uplift does not indicate when the resource was dispatched, MW dispatched or other key information. The resource name receiving uplift is not confidential information. Some CSPs already publish customer names on their websites. Demand resources should not be able to mask their identity when participating in markets that require other participants to provide transparency.

In order to ensure that the resource name is meaningful, the Market Monitor recommends that PJM establish rules regarding the naming of resources to ensure that the

resource name includes enough information to properly identify the participant and its location.

II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as it resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: September 28, 2018

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 28th day of September, 2018.



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